

stocks

Growth and Income  
Stock Fund

cash investments

balanced

BONDS

## Vanguard® Institutional Index Fund

### Who Should Invest

- Investors seeking long-term growth of capital.
- Investors seeking low-cost participation in the stock market through a broadly diversified portfolio.
- Investors with a long-term investment horizon (more than five years).

### Who Should Not Invest

- Investors unwilling to accept significant fluctuations in share price.

**Assets:** \$20,361,353,235

**Expenses:** 0.05%\*

**Ticker Symbol:** VINIX

**Newspaper Listing:** InstIdx

**Inception:** July 31, 1990

### Overall Risk Level:



### Investment Objective

Vanguard Institutional Index Fund seeks long-term growth of capital and income from dividends.

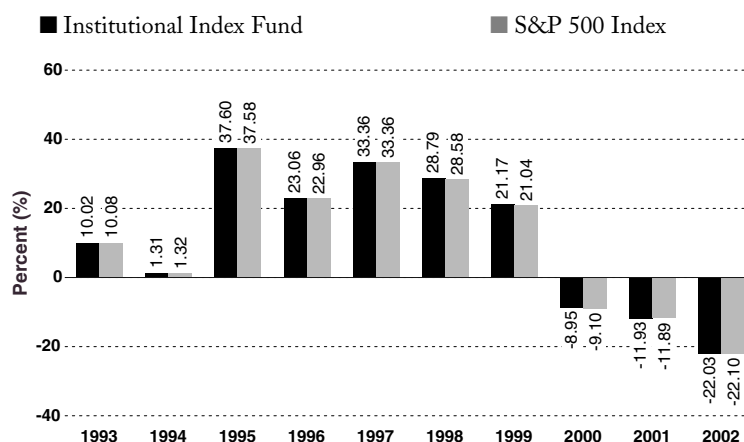
### Investment Strategy

The fund holds all 500 stocks that make up the Standard & Poor's 500 Index in proportion to their weighting in the index. The fund attempts to track the performance of the index, a widely recognized benchmark of U.S. stock market performance, and remains fully invested in stocks at all times. Its management does not speculate on the direction of the index.

See reverse side for Fund Profile.

### Performance

Annual Returns 1993–2002 — Institutional Index Fund vs. S&P 500 Index\*\*



### Total Returns for Periods Ended December 31, 2002\*\*\*

	Year to Date	1 Year	3 Years	5 Years	10 Years
Institutional Index Fund	-22.03%	-22.03%	-14.49%	-0.49%	9.40%
S&P 500 Index	-22.10%	-22.10%	-14.55%	-0.59%	9.34%

\*For most recent fiscal year.

\*\*Standard & Poor's 500 Index, an unmanaged measure of stock market performance.

\*\*\*Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns.

# Vanguard

## Institutional Index Fund

### Fund Profile

As of December 31, 2002

#### Top Sector Holdings—Stocks

1. Auto & Transportation	2.6%
2. Consumer Discretionary	13.4
3. Consumer Staples	8.5
4. Financial Services	21.8
5. Health Care	14.8
6. Integrated Oils	4.6
7. Materials & Processing	3.3
8. Other Energy	1.5
9. Producer Durables	4.0
10. Technology	23.6
11. Utilities	7.4
12. Other	4.5

#### Largest Stock Holdings\*

1. Microsoft Corp.
2. General Electric Co.
3. ExxonMobil Corp.
4. Wal-Mart Stores, Inc.
5. Pfizer, Inc.
6. Citigroup, Inc.
7. Johnson & Johnson
8. American International Group, Inc.
9. International Business Machines Corp.
10. Merck & Co., Inc.

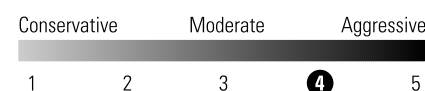
Top Ten as % of Total Net Assets 23.4%

\*Fund holdings are subject to change.

### A Few Words About Risk

When investing in stock funds, short-term losses (or gains) are common, largely as a result of sudden movements in stock prices as views change about the economy and individual companies. However, over extended periods the market's ups have tended to outweigh its downs. There is no guarantee this

### Overall Risk Level:



will continue. Usually, the longer you hold your investments, the lower your chances of losing money.

### Investment Terms

**Dividends:** Payments made by companies to investors in their stock. The payments typically depend on economic conditions and the company's financial health.

**Expenses:** The costs of running a fund, expressed as a percentage of the fund's assets. For example, a fund may have expenses that total 0.30% (less than half of 1%) of its assets.

**Index Funds:** Mutual funds that try to track as closely as possible the performance of a target index (e.g., a large group of U.S. stocks, foreign stocks, or bonds). Index funds may invest in all or a representative sampling of the stocks included in the target index.

**Market Risk:** The chance that the value of an investment will change because of rising (or falling) stock or bond prices.

**Mutual Fund:** An investment company that combines the money of thousands of people and invests it in a number of securities (stocks, bonds, cash) to achieve a specific objective over time.

**Total Return:** The change in the value of an investment, plus any income from interest or dividends. The standard measure of a mutual fund's performance.

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Performance figures include the reinvestment of all dividends and any capital gains distribution. All returns are net of expenses. Return figures reflect past performance, which is no guarantee of future results. The investment return and principal value will fluctuate. An investor's shares, when redeemed, may be worth more or less than the original cost.

Vanguard funds are offered by prospectus only. Prospectuses contain more complete information on risks, advisory fees, distribution charges, and other expenses and should be read carefully before you invest or send money. Prospectuses can be obtained directly by writing to The Vanguard Group, P.O. Box 2900, Valley Forge, PA 19482-2900; calling 1-800-523-1188; or visiting [www.vanguard.com](http://www.vanguard.com).